

U.S. Imposes Sanctions on Russian Entities and Individuals

FINRA Alerts Firms to Sanctions

Summary

The U.S. government has imposed sanctions in response to Russia's actions in Ukraine. FINRA is issuing this *Notice* to provide member firms with information about these recent actions. FINRA encourages member firms to continue to monitor the Department of Treasury's Office of Foreign Asset Control (OFAC) [website](#) for relevant information.

If you have general questions about this *Notice*, please contact Jason Foye, Senior Director, AML Investigative Unit, Member Supervision, at (561) 443-8062 or by [email](#); however, questions about the details of OFAC's sanctions should be directed to OFAC at (800) 540-6322.

Background and Discussion

OFAC's Russia-related sanctions

FINRA alerts member firms to important, recent Russia sanctions-related developments.

February 24, 2022

On February 24, 2022, the Department of the Treasury [announced](#) additional sanctions against Russia. As part of these measures, the Department of the Treasury's Office of Foreign Assets Control (OFAC) issued [Directive 2 Under Executive Order 14024: Prohibitions Related to Correspondent or Payable-Through Accounts and Processing of Transactions Involving Certain Foreign Financial Institutions](#)¹, as well as [Directive 3 Under Executive Order 14024: Prohibitions Related to New Debt and Equity of Certain Russia-related Entities](#).²

Treasury stated the OFAC measures target "Russia's two largest financial institutions, Public Joint Stock Company Sberbank of Russia (Sberbank) and VTB Bank Public Joint Stock Company (VTB Bank)," as well as three other major Russian financial institutions, Otkritie, Novikom and Sovcom.³ These sanctions include numerous subsidiaries of Sberbank, VTB Bank, Otkritie and Sovcom.

February 25, 2022

Notice Type

- ▶ Special Alert

Suggested Routing

- ▶ Legal
- ▶ Legal and Compliance

Key Topics

- ▶ Russia Sanctions
- ▶ Sanctions Compliance

OFAC also “expanded Russia-related debt and equity restrictions to additional key aspects of Russia’s economy” and issued Directive 3 “to prohibit transactions and dealings by U.S. persons or within the United States in new debt of longer than 14 days maturity and new equity of Russian state-owned enterprises, entities that operate in the financial services sector of the Russian Federation economy, and other entities determined to be subject to the prohibitions in this directive.”⁴

In addition, “(p)ursuant to E.O. 14024, OFAC identified the following 11 Russian entities as being owned or controlled by, or having acted or purposed to act for or on behalf of, directly or indirectly, the GoR:”⁵

- ▶ Sberbank,
- ▶ Gazprombank Joint Stock Company,
- ▶ Joint Stock Company Russian Agricultural Bank,
- ▶ Public Joint Stock Company Gazprom,
- ▶ Public Joint Stock Company Gazprom Neft,
- ▶ Public Joint Stock Company Transneft,
- ▶ Public Joint Stock Company Rostelecom,
- ▶ Public Joint Stock Company RusHydro,
- ▶ Public Joint Stock Company Alrosa,
- ▶ Joint Stock Company Sovcomflot, and
- ▶ Open Joint Stock Company Russian Railways.⁶

Further pursuant to E.O. 14024, “OFAC identified the following three Russian entities for operating or having operated in the financial services sector of the Russian Federation economy:”⁷

- ▶ Joint Stock Company Alfa-Bank,
- ▶ Credit Bank of Moscow Public Joint Stock Company, and
- ▶ Sberbank.⁸

To ensure that these sanctions and prohibitions have an impact on the intended targets and to minimize unintended consequences on third parties, OFAC has also issued several general licenses in connection with these actions.⁹

The sanctions announced on February 24, 2022, also target Russian elites close to Russian President Vladimir Putin. These sanctions target:

- ▶ Sergei Sergeevich Ivanov (son of Sergei Borisovich Ivanov),
- ▶ Andrey Patrushev (son of Nikolai Platonovich Patrushev),
- ▶ Ivan Igorevich Sechin (son of Igor Ivanovich Sechin),
- ▶ Alexander Aleksandrovich Vedyakhin, and
- ▶ Andrey Sergeevich Puchkov (Puchkov) and Yuriy Alekseyevich Soloviev (Soloviev) and other related parties to Puchkov and Soloviev such as Limited Liability Company Atlant S and Limited Liability Company Inspira Invest A. and Soloviev's wife, Galina Olegovna Ulyutina.¹⁰

February 22, 2022

On February 22, the Department of the Treasury [announced](#) a series of sanctions pursuant to Executive Order [14024](#) "in response to actions in the Donetsk and Luhansk regions."¹¹ The Department's press release stated the sanctions target "Russia's ability to finance aggression against its neighbors by sanctioning the Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (VEB) and Promsvyazbank Public Joint Stock Company (PSB), along with 42 of their subsidiaries."¹²

In addition, the press release noted that, "Treasury is also designating influential Russians and their family members in Putin's inner circle believed to be participating in the Russian regime's kleptocracy, including the Chairman and CEO of PSB."¹³ These sanctions target:

- ▶ Denis Aleksandrovich Bortnikov (son of Aleksandr Vasilievich Bortnikov),
- ▶ Petr Mikhailovich Fradkov, and
- ▶ Vladimir Sergeevich Kiriyyenko (son of Sergei Vladilenovich Kiriyyenko).¹⁴

Treasury also announced "increased restrictions on dealings in Russia's sovereign debt" pursuant to Executive Order 14024 that extend "existing sovereign debt prohibitions to cover participation in the secondary market for bonds issued after March 1, 2022 by the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation."¹⁵

February 21, 2022

On February 21, 2022, President Biden issued an [Executive Order on Blocking Property of Certain Persons and Prohibiting Certain Transactions With Respect to Continued Russian Efforts to Undermine the Sovereignty and Territorial Integrity of Ukraine](#).

Among its elements, the Executive Order prohibits certain activities, such as:

- ▶ “new investments in the so-called DNR and LNR regions of Ukraine or such other regions of Ukraine as may be determined by the Secretary of the Treasury, in consultation with the Secretary of State (collectively the ‘Covered Regions’), by a United States person, wherever located;”
- ▶ “the importation into the United States, directly or indirectly, of any goods, services, or technology from the Covered Regions;”
- ▶ “the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of any goods, services, or technology to the Covered Regions;” and
- ▶ “any approval, financing, facilitation, or guarantee by a United States person, wherever located, of a transaction by a foreign person where the transaction by that foreign person would be prohibited by this section if performed by a United States person or within the United States.”¹⁶

In addition, the Executive Order states, “(a)ll property and interests in property that are in the United States, that hereafter come within the United States, or that are or hereafter come within the possession or control of any United States person (including any foreign branch) of the following persons are blocked and may not be transferred, paid, exported, withdrawn, or otherwise dealt in: any person determined by the Secretary of the Treasury, in consultation with the Secretary of State:”

- ▶ “to operate or have operated since the date of this order in the Covered Regions;”
- ▶ “to be or have been since the date of this order a leader, official, senior executive officer, or member of the board of directors of an entity operating in the Covered Regions;”
- ▶ “to be owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked pursuant to this order;” and
- ▶ “to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, any person whose property and interests in property are blocked pursuant to this order.”¹⁷

The prohibitions described in the previous paragraph “include, but are not limited to”:

- ▶ “the making of any contribution or provision of funds, goods, or services by, to, or for the benefit of any person whose property and interests in property are blocked pursuant to this order;” and
- ▶ “the receipt of any contribution or provision of funds, goods, or services from any such person.”¹⁸

The Executive Order also prohibits “any transaction that evades or avoids, has the purpose of evading or avoiding, causes a violation of, or attempts to violate any of the prohibitions” and “any conspiracy formed to violate any of the prohibitions” set forth in the Executive Order.¹⁹

Endnotes

1. The prohibitions of Directive 2 “shall take effect: (i) with respect to any foreign financial institution listed in Annex 1, beginning at 12:01 a.m. eastern daylight time on March 26, 2022; or (ii) with respect to a foreign financial institution otherwise determined to be subject to the prohibitions of this Directive, beginning at 12:01 a.m. eastern time on the date that is 30 days after the date of such determination.”
2. The prohibitions in Directive 3 become effective: “For new debt or new equity of entities listed in Annex 1, or their property or interests in property, all transactions in, provision of financing for, and other dealings in new debt of longer than 14 days maturity or new equity where such new debt or new equity is issued on or after 12:01 a.m. eastern daylight time on March 26, 2022; and (2) For new debt or new equity of entities otherwise determined to be subject to the prohibitions of this Directive, or their property or interests in property, all transactions in, provision of financing for, and other dealings in new debt of longer than 14 days maturity or new equity where such new debt or new equity is issued on or after 12:01 a.m. eastern time on the date that is 30 days after the date of such determination.”
3. U.S. Department of the Treasury, [press release](#), “U.S. Treasury Announces Unprecedented & Expansive Sanctions Against Russia, Imposing Swift and Severe Economic Costs,” February 24, 2022.
4. *Ibid.*, see also, “Directive 3 Under Executive Order 14024: Prohibitions Related to New Debt and Equity of Certain Russia-related Entities.”
5. *Ibid.*
6. *Ibid.*
7. *Ibid.*
8. *Ibid.*
9. *Ibid.*, see also OFAC’s [Frequently Asked Questions – Newly Added](#).
10. *Ibid.*
11. See U.S. Department of the Treasury, [press release](#) “U.S. Treasury Imposes Immediate Economic Costs in Response to Actions in the Donetsk and Luhansk Regions,” February 22, 2022.
12. *Ibid.*
13. *Ibid.*
14. *Ibid.*
15. *Ibid.*
16. See [Executive Order on Blocking Property of Certain Persons and Prohibiting Certain Transactions With Respect to Continued Russian Efforts to Undermine the Sovereignty and Territorial Integrity of Ukraine](#). Sec. 1.
17. *Ibid.*, Sec. 2.
18. *Ibid.*, Sec. 3.
19. *Ibid.*, Sec. 4.

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